



## MONTANA PORK PRODUCERS COUNCIL

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EXHIBIT 12  
DATE 3/17/11  
SB 277

House Committee on Agriculture  
Montana House of Representatives  
P.O. Box 200400  
Helena, MT 59620-0400

March 17, 2011

Dear Members of the House Agriculture Committee,

We are writing in regards to Frederick (Eric) Moore's Senate Bill 277, with the short title: Revise duties of Dept. of Livestock re federal beef promotion; beef checkoff. As another organization operating on federally mandated Checkoff dollars, via the Pork Promotion, Research and Consumer Act of 1985, we would like the opportunity to provide written testimony on the collection of Beef Checkoff.

It is imperative that any Checkoff program be self-sustained in its administration, including the collection of the funding from producers. By self-sustained, we are referring a lack of subsidy coming from any contracted government 3<sup>rd</sup> parties, such as the Department of Livestock in this case. In a nutshell, pork producers do not wish to have their per capita fees collected by the Department of Livestock (Dept.) to pay for the administration of another Checkoff program.

Pork producers in Montana remit directly to the National Pork Board, with 39% of the funding collected from Montana returned for the operation of our state office. Therefore, we do not handle dollars directly from producers. Our structure is such that any producers out of compliance (non-paying, incorrect numbers, etc) are handled in a tiered format, starting with the MPPC office, then National Pork Board and, finally, all the way to USDA for intervention.

However, we do not expect Beef Checkoff to pay more than actual costs for the collection services rendered by the Dept. either. It is impractical to expect beef producers to subsidize the agency, as the reverse is also true. SB 277 uses a legislative audit to determine actual expenses incurred, providing another form of verification of costs reported by the Depart. We strongly support such an audit, considering that these verified numbers would provide the best platform from which to make business decisions for both entities. If the costs incurred are higher than 5% and verified as such, then Beef Checkoff would need to pay those additional dollars if wishing to renew the contract.

It is also concerning to us that this bill sets precedent for a state legislature to control interactions of a federal checkoff program in any fashion. The audit, in the form that SB 277 suggests, would not be expected with results for roughly another year's time. We believe these concrete figures are worth the time. However, if the financials showing a loss to the Dept are confirmed with audited numbers down the road, it would infer that the legislature would expect the Dept to sacrifice an additional year in the red to make the official judgment. Thusly, Montana's pork industry would also be expected to supplement Checkoff operations for the same period of time. Therefore, we make the suggestion that if the Montana Legislature wishes to become involved that the General Fund cover any deficits occurring



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when the income from 5% retention rate of Beef Checkoff dollars do not cover the final, audited costs for the contract period. If there is no such loss during this information gathering, then no supplemental payment would be necessary.

Our primary concern is that Beef Checkoff is self-sustained and that both beef producers and the Department of Livestock both have access to verified figures with which to make solid business decisions. We do not expect any subsidization to occur with any party involved and feel that is a reasonable request. Please do not hesitate to contact us with any additional questions.

Sincerely,

Anne Miller  
Executive Director